

Senate File 275

SENATE FILE _____
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 1070)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the taxation of utilities, including
2 establishment of a natural gas delivery tax rate for new
3 electric power generating plants, establishment of a
4 replacement transmission tax for certain municipal utilities,
5 methods of allocation of replacement generation tax incurred
6 by certain new stand-alone electric power generating plants, a
7 formula for determining taxable value for property generating
8 replacement tax annually, extending the task force, and
9 providing for applicability.
10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
11 TLSB 1215SV 80
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1 1 Section 1. Section 426B.2, subsections 1 and 3, Code 2003,
1 2 are amended to read as follows:
1 3 1. The moneys in the property tax relief fund available to
1 4 counties for a fiscal year shall be distributed as provided in
1 5 this section. A county's proportion of the moneys shall be
1 6 equivalent to the sum of the following three factors:
1 7 a. One-third based upon the county's proportion of the
1 8 state's general population.
1 9 b. One-third based upon the county's proportion of the
1 10 state's total taxable property valuation assessed for taxes
1 11 payable in the previous fiscal year.
1 12 c. One-third based upon the county's proportion of all
1 13 counties' base year expenditures, as defined in section
1 14 331.438.

1 15 Moneys provided to a county for property tax relief in a
1 16 fiscal year, excluding replacement taxes in the property tax
1 17 relief fund, in accordance with this subsection shall not be
1 18 less than the amount provided for property tax relief in the
1 19 previous fiscal year.

1 20 3. The director of human services shall draw warrants on
1 21 the property tax relief fund, payable to the county treasurer
1 22 in the amount due to a county in accordance with subsection 1
1 23 and mail the warrants to the county auditors in July and
1 24 January of each year. Any replacement generation tax in the
1 25 property tax relief fund as of November 1 shall be paid to the
1 26 county treasurers in July and January of the fiscal year
1 27 beginning the following July 1.

1 28 Sec. 2. Section 437A.3, Code 2003, is amended by adding
1 29 the following new subsection:

1 30 NEW SUBSECTION. 4A. "Cogeneration facility" means a
1 31 facility with a capacity of two hundred megawatts or less that
1 32 uses the same energy source for the sequential generation of
1 33 electrical or mechanical power in combination with steam,
1 34 heat, or other forms of useful energy and, except for
1 35 ownership, meets the criteria to be a qualifying cogeneration
2 1 facility as defined in the federal Public Utility Regulatory
2 2 Policies Act of 1978, 16 U.S.C. } 2601 et seq., and related
2 3 federal regulations.

2 4 Sec. 3. Section 437A.3, subsection 10, Code 2003, is
2 5 amended by adding the following new unnumbered paragraph:
2 6 NEW UNNUMBERED PARAGRAPH. "New electric power generating
2 7 plant" means an electric power generating plant that is owned
2 8 by or leased to an electric company, electric cooperative, or
2 9 municipal utility, and that initially generates electricity
2 10 subject to replacement generation tax under section 437A.6 on
2 11 or after January 1, 2003.

2 12 Sec. 4. Section 437A.3, subsection 13, Code 2003, is
2 13 amended by adding the following new unnumbered paragraph:
2 14 NEW UNNUMBERED PARAGRAPH. "Local amount" for the purposes
2 15 of determining the local taxable value for a new electric

2 16 power generating plant shall annually be determined to be
2 17 equal up to the first forty=four million four hundred forty=
2 18 four thousand four hundred forty=five dollars of the taxable
2 19 value of the new electric power generating plant. "Local
2 20 amount" for the purposes of determining the local assessed
2 21 value for a new electric power generating plant shall be
2 22 annually determined to be the percentage share of the taxable
2 23 value of the new electric power generating plant allocated as
2 24 the local amount multiplied by the total assessed value of the
2 25 new electric power generating plant.

2 26 Sec. 5. Section 437A.3, subsection 21, paragraph a,
2 27 subparagraph (1), subparagraph subdivision (am), Code 2003, is
2 28 amended to read as follows:

2 29 (am) The city of Waukee in Dallas county and the area
2 30 within two miles of the city limits of Waukee as of January 1,
2 31 1999, not including any part of the cities of Clive,
2 32 Urbandale, or West Des Moines.

2 33 Sec. 6. Section 437A.3, Code 2003, is amended by adding
2 34 the following new subsection:

2 35 NEW SUBSECTION. 27A. "Taxable value" means as defined in
3 1 section 437A.19, subsection 2, paragraph "f".

3 2 Sec. 7. Section 437A.5, subsection 1, Code 2003, is
3 3 amended by adding the following new paragraph:

3 4 NEW PARAGRAPH. c. Notwithstanding paragraphs "a" and "b",
3 5 a natural gas delivery rate of one and eleven=hundredths of a
3 6 cent (.0111) per therm of natural gas is imposed on all
3 7 natural gas delivered to or consumed by a new electric power
3 8 generating plant for purposes of generating electricity within
3 9 the state during the tax year. However, if a new electric
3 10 power generating plant is exempt from a replacement generation
3 11 tax pursuant to section 437A.6, subsection 1, paragraph "b",
3 12 the natural gas delivery rate for the municipal service area
3 13 that the new plant serves shall instead apply for deliveries
3 14 of natural gas by the municipal gas utility.

3 15 The provisions of subsection 8, shall not apply to the
3 16 therms of natural gas subject to the delivery tax set forth in
3 17 this paragraph.

3 18 If the new electric power generating plant is part of a
3 19 cogeneration facility, the natural gas delivery rate for that
3 20 plant shall be the lesser of the natural gas delivery rate
3 21 established in this paragraph or the rate per therm of natural
3 22 gas as in effect at the time of the initial natural gas
3 23 deliveries to the plant for the natural gas competitive
3 24 service area where the new electric power generating plant is
3 25 located.

3 26 Sec. 8. Section 437A.5, subsection 6, Code 2003, is
3 27 amended to read as follows:

3 28 6. Notwithstanding subsection 1, the natural gas delivery
3 29 tax rate applied to therms of natural gas delivered by a
3 30 taxpayer to utility property and facilities ~~which that~~ are
3 31 placed in service on or after January 1, 1999, and ~~which that~~
3 32 are owned by or leased to and initially served by such
3 33 taxpayer shall be the natural gas delivery tax rate in effect
3 34 for the natural gas competitive service area principally
3 35 served by such utility property and facilities even though
4 1 such utility property and facilities may be physically located
4 2 in another natural gas competitive service area.

4 3 This subsection shall not apply to natural gas delivered to
4 4 or consumed by new electric power generating plants.

4 5 Sec. 9. Section 437A.7, Code 2003, is amended by adding
4 6 the following new subsection:

4 7 NEW SUBSECTION. 1A. In lieu of the replacement
4 8 transmission tax imposed in subsection 1, a municipal utility
4 9 whose replacement transmission tax liability for the tax year
4 10 1999 was limited to the tax imposed by this section and whose
4 11 anticipated tax revenues from a taxpayer, as defined in
4 12 section 437A.15, subsection 4, for the tax year 1999, exceeded
4 13 its replacement transmission tax by more than one hundred
4 14 thousand dollars shall be subject to replacement transmission
4 15 tax on all transmission lines owned by or leased to the
4 16 municipal utility as of the last day of the tax year 2000 as
4 17 follows:

4 18 a. Three thousand twenty=five dollars per pole mile of
4 19 transmission line owned or leased by the taxpayer not
4 20 exceeding one hundred kilovolts.

4 21 b. Seven thousand dollars per pole mile of transmission
4 22 line owned or leased by the taxpayer greater than one hundred
4 23 fifty kilovolts but not exceeding three hundred kilovolts.

4 24 Sec. 10. Section 437A.8, subsection 4, Code 2003, is
4 25 amended by adding the following new paragraph:

4 26 NEW PARAGRAPH. d. Notwithstanding paragraph "a", a

4 27 taxpayer who owns or leases a new electric power generating
4 28 plant and who has no other operating property in the state of
4 29 Iowa except for operating property directly serving the new
4 30 electric power generating plant as described in section
4 31 437A.16, shall pay the replacement generation tax associated
4 32 with the allocation of the local amount to the county
4 33 treasurer of the county in which the local amount is located
4 34 and shall remit the remaining replacement generation tax, if
4 35 any, to the director according to paragraph "a" for remittance
5 1 of the tax to county treasurers. The director shall notify
5 2 each taxpayer on or before August 31 following a tax year of
5 3 its remaining replacement generation tax to be remitted to the
5 4 director. All remaining replacement generation tax revenues
5 5 received by the director shall be deposited in the property
5 6 tax relief fund created in section 426B.1, and shall be
5 7 distributed as provided in section 426B.2.

5 8 Sec. 11. Section 437A.15, subsection 3, paragraph a, Code
5 9 2003, is amended to read as follows:

5 10 a. All replacement taxes owed by a taxpayer shall be
5 11 allocated among the local taxing districts in which such
5 12 taxpayer's property is located in accordance with a general
5 13 allocation formula determined by the department of management
5 14 on the basis of general property tax equivalents. General
5 15 property tax equivalents shall be determined by applying the
5 16 levy rates reported by each local taxing district to the
5 17 department of management on or before June 30 following a tax
5 18 year to the ~~assessed taxable~~ value of taxpayer property
5 19 allocated to each such local taxing district as adjusted and
5 20 reported to the department of management in such tax year by
5 21 the director pursuant to section 437A.19, subsection 2. The
5 22 general allocation formula for a tax year shall allocate to
5 23 each local taxing district that portion of the replacement
5 24 taxes owed by each taxpayer which bears the same ratio as such
5 25 taxpayer's general property tax equivalents for each local
5 26 taxing district bears to such taxpayer's total general
5 27 property tax equivalents for all local taxing districts in
5 28 Iowa.

5 29 When allocating natural gas delivery taxes on deliveries of
5 30 natural gas to a new electric power generating plant, ten
5 31 percent of those natural gas delivery taxes shall be allocated
5 32 over new gas property built to directly serve the new electric
5 33 power generating plant and ninety percent of those natural gas
5 34 delivery taxes shall be allocated to the general property tax
5 35 equivalents of all gas property within the natural gas
6 1 competitive service area or areas where the new gas property
6 2 is located.

6 3 Sec. 12. Section 437A.15, subsection 3, Code 2003, is
6 4 amended by adding the following new paragraph:

6 5 NEW PARAGRAPH. f. Notwithstanding the provisions of this
6 6 section, if a taxpayer is a municipal utility or a municipal
6 7 owner of an electric power facility financed under the
6 8 provisions of chapter 28F or 476A, the assessed value, other
6 9 than the local amount, of a new electric power generating
6 10 plant shall be allocated to each taxing district in which the
6 11 municipal utility or municipal owner is serving customers and
6 12 has electric meters in operation in the ratio that the number
6 13 of operating electric meters of the municipal utility or
6 14 municipal owner located in the taxing district bears to the
6 15 total number of operating electric meters of the municipal
6 16 utility or municipal owner in the state as of January 1 of the
6 17 tax year. If the municipal utility or municipal owner of an
6 18 electric power facility financed under the provisions of
6 19 chapter 28F or 476A has a new electric power generating plant
6 20 but the municipal utility or municipal owner has no operating
6 21 electric meters in this state, the municipal utility or
6 22 municipal owner shall pay the replacement generation tax
6 23 associated with the new electric power generating plant
6 24 allocation of the local amount to the county treasurer of the
6 25 county in which the local amount is located and shall remit
6 26 the remaining replacement generation tax, if any, to the
6 27 director at the times contained in section 437A.8, subsection
6 28 4, for remittance of the tax to the county treasurers. All
6 29 remaining replacement generation tax revenues received by the
6 30 director shall be deposited in the property tax relief fund
6 31 created in section 426B.1, and shall be distributed as
6 32 provided in section 426B.2.

6 33 Sec. 13. Section 437A.15, subsection 7, Code 2003, is
6 34 amended to read as follows:

6 35 7. ~~On or before July 1, 1998, the~~ The department of
7 1 management, in consultation with the department of revenue and
7 2 finance, shall ~~initiate and coordinate the establishment of a~~

7 3 utility replacement tax task force and provide staffing
7 4 assistance to the task force. It is the intent of the general
7 5 assembly that the task force include representatives of the
7 6 department of management, department of revenue and finance,
7 7 electric companies, natural gas companies, municipal
7 8 utilities, electric cooperatives, counties, cities, school
7 9 boards, and industrial, commercial, and residential consumers,
7 10 and other appropriate stakeholders.

7 11 The task force shall study the effects of the replacement
7 12 tax on local taxing authorities, local taxing districts,
7 13 consumers, and taxpayers and the department of management
7 14 shall report to the general assembly by January 1 of each year
7 15 through January 1, ~~2003~~ 2005, the results of the study and the
7 16 specific recommendations of the task force for modifications
7 17 to the replacement tax, if any, which will further the
7 18 purposes of tax neutrality for local taxing authorities, local
7 19 taxing districts, taxpayers, and consumers, consistent with
7 20 the stated purposes of this chapter. The department of
7 21 management shall also report to the legislative council by
7 22 November 15 of each year through ~~2002~~ 2004, the status of the
7 23 task force study and any recommendations.

7 24 Sec. 14. Section 437A.19, subsection 2, paragraph f, Code
7 25 2003, is amended to read as follows:

7 26 f. In the event the base year assessed value of taxpayer
7 27 property is adjusted as a result of taxpayer appeals, reduce
7 28 the assessed value of taxpayer property in each local taxing
7 29 district to reflect such adjustment. The adjustment shall be
7 30 allocated in proportion to the allocation of the taxpayer's
7 31 assessed value among the local taxing districts determined
7 32 without regard to this adjustment. ~~If an~~ An adjustment to the
7 33 base year assessed value of taxpayer property is finally
7 34 ~~determined on or before September 30, 1999, it shall be~~
7 35 ~~reflected in the January 1, 1999, assessed value. Otherwise,~~
8 1 ~~any such adjustment~~ shall be made as of January 1 of the year
8 2 following the date on which the adjustment is finally
8 3 determined.

8 4 In no event shall the adjustments set forth in this
8 5 subsection reduce the assessed value of taxpayer property in
8 6 any local taxing district below zero.

8 7 The director, ~~on or before October 31, 1999, in the case of~~
8 8 ~~January 1, 1999, assessed values, and on or before August 31~~
8 9 ~~of each subsequent assessment year, shall report to the~~
8 10 ~~department of management and to the auditor of each county the~~
8 11 ~~adjusted assessed value of taxpayer property as of January 1~~
8 12 ~~of such assessment year for each local taxing district,~~
8 13 ~~provided that for a taxpayer whose base year as defined in~~
8 14 ~~section 437A.3, subsection 1, changed from 1997 to 1998, the~~
8 15 ~~director shall, before May 1, 2000, report to the department~~
8 16 ~~of management and to the auditor of each county, the assessed~~
8 17 ~~values as of January 1, 1999. For purposes of this~~
8 18 ~~subsection, the assessed value of taxpayer property in each~~
8 19 ~~local taxing district subject to adjustment under this section~~
8 20 ~~by the director means the assessed value of such property as~~
8 21 ~~of the preceding January 1 as determined and allocated among~~
8 22 ~~the local taxing districts by the director.~~
8 23 Nothing in this chapter shall be interpreted to authorize
8 24 local taxing authorities to exclude from the calculation of
8 25 levy rates the ~~adjusted assessed~~ taxable value of taxpayer
8 26 property reported to county auditors pursuant to this
8 27 subsection.

8 28 In addition to reporting the assessed values as described
8 29 in this subsection, the director, on or before October 31,
8 30 2003, in the case of January 1, 2003, values, and on or before
8 31 August 31 of each subsequent assessment year, shall also
8 32 report to the department of management and to the auditor of
8 33 each county the taxable value of taxpayer property as of
8 34 January 1 of such assessment year for each local taxing
8 35 district. For purposes of this chapter, "taxable value" means
9 1 the value for all property subject to the replacement tax
9 2 annually determined by the director, by dividing the estimated
9 3 annual replacement tax liability for that property by the
9 4 prior year's consolidated taxing district rate for the taxing
9 5 district where that property is located, then multiplying the
9 6 quotient by one thousand. The prior year's replacement tax
9 7 amounts for that property shall be used to estimate the
9 8 current tax year's taxable value for that property. If
9 9 property not subject to any threshold recalculation is
9 10 generating replacement tax for the first time, or if a
9 11 taxpayer's replacement tax will not be changed by any
9 12 threshold recalculation and the taxpayer believes that the
9 13 replacement tax will vary more than ten percent from the

9 14 previous tax year, the taxpayer shall report to the director
9 15 by July 15 of the current calendar year, on forms prescribed
9 16 by the director, the estimated replacement tax liability that
9 17 will be attributable to that property for the current tax
9 18 year. For the purposes of computing the taxable value of
9 19 property in a taxing district, the taxing district's share of
9 20 the estimated replacement tax liability shall be the taxing
9 21 district's percentage share of the "assessed value allocated
9 22 by property tax equivalent" multiplied by the total estimated
9 23 replacement tax. "Assessed value allocated by property tax
9 24 equivalent" shall be determined by dividing the taxpayer's
9 25 current year assessed valuation in a taxing district by one
9 26 thousand, and then multiplying by the prior year's
9 27 consolidated tax rate.

9 28 Sec. 15. RETROACTIVE APPLICABILITY. This bill applies
9 29 retroactively to tax years beginning on or after January 1,
9 30 2003.
9 31 SF 275
9 32 jj/cc/26